

Message Text

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ACTION EUR-25

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SUBJECT: VIEWS OF FRENCH PATRONAT ON INTERNATIONAL ENERGY SITUATION

1. SUMMARY. ECON/COM MIN HAD USEFUL OPPORTUNITY TO HEAR VIEWS OF FRENCH PATRONAT ON VARIOUS ASPECTS OF INTERNATIONAL ENERGY SITUATION IN CONVERSATION WITH DE PRECIGOUT, PATRONAT'S VICE PRESIDENT FOR INTERNATIONAL RELATIONS. ECON/COM MIN DREW ON GUIDANCE FROM DEPARTMENT TO EXPLAIN OUR OBJECTIVES IN WASHINGTON ENERGY CONFERENCE, EMPHASIZING IMPORTANCE WE ATTACH TO INTERNATIONAL COOPERATION IN SOLVING ENERGY PROBLEMS. DE PRECIGOUT SAID PRINCIPAL OBJECTIVE OF CONSUMING COUNTRIES SHOULD BE TO BRING DOWN OIL PRICES. PATRONAT, WHI*E NOT OPPOSING BILATERAL DEALS, THOUGHT THAT INTERNATIONAL COOPERATION COULD CONTRIBUTE TO THIS OBJECTIVE. DE PRECIGOUT SAID STATEMENTS BY U.S. OIL COMPANIES THAT THEIR LARGE 1973 PROFITS WERE EARNED PRINCIPALLY ABROAD PLAYED INTO HANDS OF THEIR ENEMIES ABROAD. HE SAID PATRONAT VIEWED FRANC FLOAT AS PURELY MONETARY MEASURE WHICH WOULD NOT HELP FRENCH EXPORTS. HE BELIVED ENERGY CRISIS

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WAS NOT A REASON TO DELAY MTN BUT BELIEVED THAT IMPACT OF CRISIS

ON NEGOTIATIONS SHOULD BE CAREFULLY WEIGHED AT THE OUTSET AND THAT INTERNATIONAL SAFEGUARDS SHOULD BE PLACED NEAR THE TOP OF AGENDA. END SUMMARY.

2. DE PRECIGOUT SAID PATRONAT CONSIDERED MOST IMPORTANT IMMEDIATE OBJECTIVE WAS TO BRING OIL PRICES DOWN. THE PROBLEM WAS TO DETERMINE THE BEST WAY TO DO THIS. PATRONAT HAD NO FIXED VIEWS ON THIS SUBJECT. HE SAID HE SAW NO ALTERNATIVE TO BILATERAL PURCHASING OF OIL SUPPLIES. ECON/COM MIN REPLIED WE HAD NO OBJECTION TO BILATERAL DEALS AS SUCH BUT BELIEVED THEY SHOULD TAKE PLACE WITHIN AGREED RULES OF CONDUCT IN ORDER TO AVOID BIDDING UP PRICES. DE PRECIGOUT, WHILE MAKING IT CLEAR THAT PATRONAT WAS NOT AT ODDS WITH GOF POLICY, SAID HE AGREED THAT IT WAS ESSENTIAL TO AVOID BIDDING UP PRICES AND SAW POSSIBILITY OF USEFUL ROLE FOR INTERNATIONAL COOPERATION IN THIS CONTEXT. HE SAID GOF FEAR THAT EAG PROPOSAL WOULD LEAD TO U.S. DOMINATION" WAS DUE IN PART TO COINCIDENCE OF ENERGY CRISIS WITH U.S. EFFORTS TO NEGOTIATE A NEW POLITICAL RELATIONSHIP WITH EC. THE FRENCH TENDED TO VIEW OUR EAG PROPOSAL AS AN EXTENSION OF OUR EFFORTS IN THE LATTER FORUM TO ESTABLISH A CLOSER RELATIONSHIP WITH EUROPE THAN THE GOF WAS WILLING TO ACCEPT. IN SPITE OF THIS, HE WAS OPTIMISTIC ABOUT CHANCES FOR REACHING CONSTRUCTIVE AGREEMENT ON A CONCERTED APPROACH TO THE ENERGY PROBLEM. HE SAID THE IMPORTANT THING WAS THAT EVERYBODY KEEP HIS DEMANDS MODERATE.

3. DE PRECIGOUT SAID HE WAS SERIOUSLY DISTURBED ABOUT THE ATTEMPTS BOTH IN THE U.S. AND IN EUROPE TO PIN THE BLAME FOR THE ENERGY CRISIS ON THE INTERNATIONAL OIL COMPANIES. IN THIS CONNECTION, HE THOUGHT THE ATTEMPT BY THE U.S. COMPANIES TO JUSTIFY THEIR LARGE 1973 PROFITS TO AMERICAN OPINION BY EMPHASIZING THAT THEY WERE REALIZED PRINCIPALLY IN FOREIGN OPERATION WAS PARTICULARLY UNFORTUNATE. THESE STATEMENTS WERE READ IN EUROPE AND CONTRIBUTED TO THE HOSTILITY AGAINST THE MNCs. HE SAID THE PATRONAT HAD CONSISTENTLY OPPOSED EFFORTS TO GET THE EC TO ADOPT AN INDUSTRIAL POLICY WHICH WOULD DISCRIMINATE AGAINST MNCs AND HE WARNED THAT STATEMENTS LIKE THOSE OF THE AMERICAN OIL COMPANIES WOULD STRENGTHEN THE HAND OF THOSE IN EUROPE WHO WERE ARGUING FOR SUCH A POLICY.

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4. DE PRECIGOUT SAID THE PATRONAT CONSIDERED THE FRANC FLOAT A PURELY MONETARY MEASURE WHICH WAS NOT INTENDED TO, AND IN FACT WOULD NOT, HELP FRANCE'S EXPORT DRIVE. ON THE CONTRARY, THE UNCERTAINTY OF FLOATING RATES IN INTRA-COMMUNITY TRADE WOULD MAKE THINGS MORE DIFFICULT FOR EXPORTERS. THESE DIFFICULTIES WOULD BE COMPOUNDED BY THE RESTRICTIONS WHICH THE FINANCE MINISTRY HAD PLACED ON EXPORTERS' ABILITY TO OBTAIN FORWARD COVER. A DEPRECIATED FRANC WOULD ALSO ADD TO THE

PROBLEMS OF FRENCH BUSINESS BY MAKING RAW MATERIAL IMPORTS MORE EXPENSIVE. DE PRECIGOUT ADDED THAT FRANCE'S RESERVES MIGHT HAVE BEEN LARGE ENOUGH TO MAKE THE FLOAT UNNECESSARY IF THE GOVERNMENT HAD NOT ADOPTED A POLICY OF DISCOURAGING CAPITAL INFLOWS AT A TIME WHEN THE DOLLAR WAS FLOATING DOWNWARD, A POLICY WHICH THE PATRONAT HAD OPPOSED AT THE TIME.

5. ECON/COM MIN ASKED DE PRECIGOUT WHAT EFFECT THE PATRONAT THOUGHT THE ENERGY CRISIS WOULD HAVE ON GOVERNMENTS' ATTITUDE TOWARD THE MTN. DE PRECIGOUT SAID THAT, GIVEN THE PROSPECT OF LARGE BALANCE-OF-PAYMENTS DEFICITS CAUSED BY THE INCREASE IN OIL PRICES, GOVERNMENTS WERE OBVIOUSLY BUSY RETHINKING THEIR ATTITUDES. HIS OWN VIEW WAS THAT THE NEGOTIATIONS SHOULD PROCEED AS PLANNED BUT THAT IT SHOULD BE RECOGNIZED THAT THE ENERGY CRISIS HAD DRASTICALLY CHANGED THE INTERNATIONAL ECONOMIC SITUATION. IN PARTICULAR, THE COMPETITIVE POSITION OF SOME COUNTRIES WOULD BE AFFECTED MORE THAN OTHERS. THEREFORE, HE BELIEVED IT WAS ESSENTIAL AT THE OUTSET OF THE NEGOTIATIONS TO UNDERTAKE A DETAILED ANALYSIS OF THESE FACTORS AND REACH AGREEMENT AS TO HOW THEY AFFECTED THE NEGOTIATIONS. HE ALSO THOUGHT THAT INTERNATIONAL SAFEGUARDS SHOULD BE PLACED NEAR THE TOP OF THE AGENDA. GOVERNMENTS WOULD BE MORE WILLING TO GO AHEAD WITH NEGOTIATIONS TO REDUCE TARIFF BARRIERS IF THERE WAS AN UNDERSTANDING THAT THEY COULD, FOR EXAMPLE, SLOW DOWN THE SCHEDULE OF PHASED TARIFF REDUCTIONS IF THEY FOUND THEMSELVES IN SERIOUS BALANCE-OF-PAYMENTS DIFFICULTIES BECAUSE OF THE ENERGY CRISIS. HE SAID THE PATRONAT PLANNED TO MAKE RECOMMENDATIONS ALONG THESE LINES TO THE GOF.

DECON DECEMBER 31, 1977.
IRWIN

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